

Senator Tom Daschle's

# Agriculture Report



Summer 2004

## *Continuing the Fight for Rural South Dakota*

Dear Friends:

Agriculture is the number one industry in our state. Many communities are built upon agriculture and agriculture-related businesses, and farming and ranching continue to represent a way of life for many families. That is why it is so important to do all we can to ensure that the rural way of life South Dakotans have come to know and love remains viable.

That is also why I chose to serve on the Senate Agriculture Committee, why I secured a seat on the important conference committee that crafted the 2002 Farm Bill that greatly advantaged South Dakota, and why I have fought for fair commodity and conservation programs, drought aid, country-of-origin labeling, and many other farm and ranch policies that are needed.

I will not let those who oppose fair farm, ranch and rural policies stand in the way of progress and will continue to work with a bipartisan group of senators and representatives to find a way to help create a more vibrant and successful agriculture industry, and rural America in general. In South Dakota and around the nation, there are still many challenges and opportunities that need to be met.

Sincerely,

Tom Daschle  
United States Senate



*In July, Senator Daschle organized a group of senators who spoke on the floor of the United States Senate about the need to enact federal policies that treat rural America fairly.*

**Call Tom!**

**Toll-Free:**  
1-800-424-9094

**In Aberdeen:**  
(605) 225-8823

**In Rapid City:**  
(605) 348-7551

**In Sioux Falls:**  
(605) 334-9596

**Canadian Border** – In May 2003, after BSE was found in a Canadian-born cow, the Agriculture Department placed a ban on Canadian beef. On August 8, 2003, less than three months after Bovine Spongiform Encephalopathy (BSE) was found in Canada, USDA Secretary Veneman announced the easing of restrictions on some Canadian beef products deemed “low-risk,” but specifically precluded the importation of processed beef due to the international animal health standards of the World Organization for Animal Health (OIE) and announced USDA would prohibit those products until a rule-making process was completed.

However, on April 19, 2004, without completing the public comment period as promised, the Administration, in secret, began allowing imports of Canadian beef products processed under reduced food safety standards. In fact, news reports cite a series of undisclosed USDA permits allowing 33 million pounds of banned Canadian processed beef products into the U.S. between September 2003 and April 2004.

Given these inherent contradictions, I asked for congressional hearings and an Inspector General investigation into the matter. The Administration needs to explain why a select group of meat packers were permitted to import previously-banned Canadian beef under less stringent food safety standards. We cannot allow the actions of the Bush USDA to erode consumer confidence or threaten the livelihood of our nation’s beef producers.

**Country-of-Origin Labeling (COOL)** –

In January, a last-minute Administration deal undermined the existing COOL law that I worked so hard to pass as part of the 2002 farm bill. Specifically, the deal delays implementation of COOL for two years to September of 2006. On May 20, I introduced legislation, along with Senator Johnson, that will require USDA to implement COOL on time, this year. I have requested that Senate Majority Leader Bill Frist (R-TN) call the bill up for consideration. Unfortunately, pressure from the Administration appears to have kept this important legislation bottled up. Those of us who have fought hard for COOL believe that the labeling of meat will convey to consumers important

information about the food they purchase, as well as increase consumer demand for U.S. beef products.

**Disaster Assistance** – At this time last year, Mother Nature was a little kinder, allowing farmers and ranchers across South Dakota time to rebuild herds and grow new crops lost by drought in 2002. Unfortunately, this year we have not been so fortunate. That’s why I wrote to the President and urged him to change his longstanding opposition to disaster aid for farmers or ranchers. I committed to the President that once he provided a legislative proposal, I would work in a bipartisan fashion to craft a thoughtful law to address the real needs of farmers and ranchers impacted by natural disaster, including drought.

In mid-July, I received a response to my letter. I can’t explain how disappointed I was that the letter was from the President’s agriculture chief, Ann Veneman, and made no mention whatsoever of my request for a legislative proposal. It appears that we will again be at a stalemate on disaster assistance.

With flood, drought, and other weather-related disasters a continuing occurrence in South Dakota and many parts of the country, we cannot afford to ignore this growing problem. I will do everything possible to convince the President that he is wrong on this important issue and work to see that rural communities get the meaningful and timely disaster assistance they need.

**World Trade Organization (WTO) Framework Agreement** –

On July 31, the Bush Administration announced it reached an agreement with the 146-member WTO on a framework for further negotiations in the current WTO round - otherwise known as the Doha (Qatar) Round. The United State Trade Representative (USTR), Ambassador Robert Zoellick, has trumpeted this as a great trade negotiating victory.

What U.S. negotiators have agreed to is a cut in domestic farm support programs by 20 percent in year one of the agreement, with the hope that developing nations would cut steep tariffs

that many of them maintain on agricultural and other goods, which would - theoretically - allow for expansion of U.S. exports to these nations. Unfortunately, there is no guarantee of market expansion for U.S. commodities. In fact, the market access language is so vague and so riddled with exceptions - for developing countries and for sensitive products in all countries - that there is no guarantee that the U.S. will ever get any significant new market access opportunities. It makes no sense to give up our domestic support programs up front, with no guarantee of new markets for our U.S. agricultural products.

A preliminary analysis indicates that if the terms of this negotiation are finalized, a devastating blow will have been dealt to farm support and safety net provisions necessary to protect producers when prices are extremely low. Based simply on our current farm support commitments, this could cause a reduction of several billion dollars in allowable farm program spending in the first year of the agreement alone. In South Dakota, for example, the reductions could amount to tens of millions of dollars each year that are taken away from farmers and the state's economy. Since agriculture is the number one industry in our state, the agreement could have a devastating impact on the state's overall financial health.

That is why I have urged President Bush to immediately instruct Ambassador Zoellick to rescind the offer on behalf of the United States. It simply doesn't make sense to commit the United States to reductions in the farm supports without obtaining any assurance that our trading partners will take actions that benefit U.S. producers.

**Crop Insurance** – USDA's Federal Crop Insurance Corporation (FCIC) and Risk Management Agency (RMA) are in the process of renegotiating the Standard Reinsurance Agreement (SRA) that defines the terms of reinsurance between FCIC and the companies that provide insurance to farmers and ranchers. The current agreement has been in place for five years.

For the past several months, USDA's Federal Crop Insurance Corporation (FCIC) and Risk

Management Agency (RMA) worked to renegotiate the Standard Reinsurance Agreement (SRA) that defines the terms of reinsurance between FCIC and the companies that provide insurance to farmers and ranchers.

Unfortunately, RMA's initial draft proposals were a serious threat to the crop insurance industry, and we heard overwhelming concerns from crop insurance companies and agents. During this process, along with many of my Senate colleagues, I wrote to Secretary Veneman to express my concerns about these proposed agreements. I urged the Secretary to direct RMA to seek implementation of a new agreement that would ensure the viability of the crop insurance program.

On July 1, USDA announced that 14 crop insurance companies had agreed to sign a third draft of the SRA, which reduced the funding cut to \$36 million. While I am concerned about the funding cuts in the final draft, I will continue to work with my colleagues to ensure that Secretary Veneman gives the crop insurance industry every opportunity to thrive.

**Farm Loans: Provision Would Allow Mobilized Military Reservists to Defer Federal Farm Loans** – Our military men and women deserve to be treated fairly when they have been asked to serve our nation. That is why I am pleased that my amendment to the 2005 National Defense Authorization Bill was adopted. The amendment would ensure that farmers and ranchers who are mobilized as reservists are not asked to sacrifice their farming or ranching operations because of that service.

Specifically, my amendment would ensure that reservists will not have to make payments on their farm loans during the period they are mobilized. In addition, interest on those loans would not accrue during that period. Thousands of reservists throughout the nation, including roughly 100 South Dakotans, would be able to save thousands of dollars by deferring their farm loans. The inclusion of this provision in the defense bill is a victory for the South Dakota farmers who are now defending our country. The provision must still be adopted by

a conference committee before being sent to the President for his signature.

**Daschle Livestock Amendment to Help Drought-Related Cattle Sales** – After years of drought, we know all too well the devastation that dry conditions bring. I have heard from farmers and ranchers across South Dakota about the impact that drought has had on their livelihood. In one of my frequent meetings in South Dakota, I discussed how the drought and its consequences have forced many ranchers into the difficult situation of having to sell their cattle. At one meeting, it was pointed out that, to make matters worse, under current law, ranchers who sell cattle during a drought are forced to pay taxes on the income they receive from the sale unless they re-purchase a similar amount of cattle within two years.

I am pleased to report that the Senate approved my amendment to the JOBS bill that will provide favorable tax treatment for those who sell cattle during periods of drought by allowing the producer to reinvest the proceeds of the cattle sales in equipment or machinery during a four-year period (following the sale of cattle due to a natural disaster, like drought). It shouldn't make a difference if that reinvestment comes in the form of cattle or other things like machinery and equipment. Farmers and ranchers should have every opportunity to reinvest their profits in a way that supports their operations. Passage of this amendment is a win for ranchers in South Dakota and across the country. The provision must still be adopted by a conference committee before being sent to the President for his signature.

*I need your input. Please contact me with your thoughts on rural issues.*

## Contact Tom Daschle

*USPS mail should be addressed to the Washington, D.C. office.*

### **ABERDEEN**

320 South First Street, Suite 101  
(605)225-8823

### **RAPID CITY**

1313 West Main Street  
(605)348-7551

### **SIOUX FALLS**

320 North Main Avenue, Suite B  
(605)334-9596

### **WASHINGTON, D.C.**

United States Senate  
Washington, DC 20510  
Toll-free: 1-800-424-9094  
Fax: (202) 224-6603

Email: see website form at  
<http://daschle.senate.gov>